



Gateway Lifestyle Group (GTY)

Appendix 4E

For the year ended 30 June 2015

Appendix 4E

Preliminary Financial Report

Year ended 30 June 2015

Gateway Lifestyle Operations Limited ABN 63 605 543 968
 One Managed Investment Funds Limited ABN 47 117 400 987 AFSL 297042 as
 responsible entity for Residential Parks No. 2 Trust ARSN 605 803 414

Results for announcement to the market

Significant information on results

Gateway Lifestyle Group was established during the period for the purpose of a joint quotation of Gateway Lifestyle Operations Limited ("the Company" or "GTY") and its controlled entities, and Residential Parks No 2 Trust ("the Trust") and its controlled entities, on the Australian Stock Exchange. GTY was established on 15 June 2015.

As such, the financial information presented does not reflect GTY's financial results for the entire reporting period. Users of the financial accounts should familiarise themselves with the "Corporate Information" and "Basis of Preparation" sections set out in Notes 1 and 2 to the Preliminary Financial Report in order to make an informed assessment of GTY's financial results and activities for the year ended 30 June 2015.

Details of reporting period

Current Period : 1 July 2014 to 30 June 2015

Prior Period : 1 July 2013 to 30 June 2014

Revenues from ordinary Operations	Up	248%	to	\$5,957
Net Profit /(loss) from ordinary activities after tax attributable to members	Down	10,826%	to	(\$31,135)
Net profit attributable to non-controlling interests	Up	381%	to	\$361
Net Tangible Assets				
Net Tangible Assets per Security ¹	Up		to	\$1.18
Earnings Per Security ^{1, 2}	Down	779%	To	(\$0.125)

Dividends

- Interim	Amount per Security	Nil	Franked amount per security	Nil
- Final	Amount per security	Nil	Franked Amount per security	Nil

¹ The number of securities on issue at 30 June 2015 is 249.4m (2014: 15.8m)

² Diluted EPS is the same as Basic EPS

Audit Status

The Preliminary Financial Report is based on accounts and annual reports currently in the process of being audited.

Control gained or Lost over Entities during the year:
Refer to Note 1 of the Preliminary Financial Reports.

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responsible entity for Residential Parks No. 2 Trust ARSN 605 803 414

Preliminary Financial Reports for the financial year ended 30 June 2015

Consolidated Income Statement and Other Comprehensive Income
Consolidated Statement of Financial Position
Consolidated Statement of Cash Flows
Consolidated Statement of Changes in Equity

Notes to the Financial Statements

1. Corporate Information
2. Basis of Preparation, including significant accounting policies
3. Change of accounting policy
4. Segment reporting
5. Income Tax
6. Net Debt Reconciliation
7. Events after the balance Date

Consolidated Income Statement and Other Comprehensive Income

	30 June 2015	Re-stated 30 June 2014
\$000's		
Rental Revenue	5,404	1,695
Manufactured Home Sales	455	-
Finance revenue	98	18
Total Revenue	5,957	1,713
Investment property expenses	968	485
Employee benefit expenses	1,834	107
Administration expenses	4,106	164
Manufactured home sales expenses	361	-
Finance Expenses	2,711	592
Net (gain) loss on disposal of assets	18	-
Net (gain) loss on change in fair value	(125)	-
Transaction expenses	26,893	-
Total Operating Expenses	36,766	1,348
Profit from ordinary activities	(30,809)	365
Income tax benefit	36	-
Net Profit/(loss) after tax for the year	(30,773)	365
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) after tax for the year	(30,773)	365
Attributable to:		
Shareholders of Gateway Lifestyle Operations Limited	(10,626)	-
Unitholders of RPT 2 Unit Trust	(20,508)	290
Profit/(loss) after tax attributable to the stapled security Holders	(31,134)	290
External non-controlling interests	361	75
Total comprehensive income/(loss) after tax for the year	(30,773)	365

Consolidated Statement of Financial Position

	30 June 2015	Re-stated 30 June 2014
\$000'S		
Current Assets		
Cash	11,252	1,622
Receivables	7,342	1,231
Inventory	6,616	9
Other Current Assets	2,476	7
Total Current Assets	27,686	2,869
Non-Current Assets		
Investment Properties	347,166	32,776
Plant & Equipment	305	-
Goodwill	140,322	-
Other non-current assets	2,662	392
Total non-current assets	490,455	33,168
Total Assets	518,141	36,036
Current liabilities		
Trade and other creditors	22,189	420
Provisions	1,304	23
Current Tax liabilities	6,588	84
Other current liabilities	717	-
Total current liabilities	30,798	527
Non-current liabilities		
Borrowings	50,209	16,826
Other non-current liabilities	2,819	152
Total non-current liabilities	53,028	16,977
Total Liabilities	83,826	17,504
Net Assets	434,315	18,533
Equity		
Issued capital	467,852	15,800
Accumulated profit/(losses)	(32,576)	(289)
Other reserves	(960)	-
Non-controlling interest	-	3,021
Total Equity	434,315	18,533

Consolidated statement of changes in equity

\$000's	Security holders			External		Total Equity
	Issued Securities	(Accumulated Losses)/Retained Earnings	Other Reserves	Non-controlling interest		
Balance at 1 July 2014	15,800	- 289	-	3,021		18,532
Total comprehensive income for the year	-	- 31,134	-	361	-	30,773
Equity raised	452,051	-	-	-		452,051
Distribution to security holders	-	- 1,153	-	- 3,382	-	4,535
Other reserves	-	-	- 960	-	-	960
As at 30 June 2015	467,851	- 32,576	- 960	-		434,315
Balance at 17 September 2013	-			-	-	-
Total Comprehensive income for the year	-	290	-	75		365
Equity raising	15,800			2,946		18,746
Distribution to security holders	-	(579)		-		(579)
As at 30 June 2014 (re-stated)	15,800	(289)	-	3,021		18,532

Consolidated statement of cash flows

	30 June 2015	30 June 2014
\$000's		
Receipts from customers	6,464	548
Payments to suppliers and employees	(12,397)	(283)
Interest received	95	18
Borrowing costs paid	(4,817)	(806)
Transactional costs paid	(14,526)	-
Income tax refunded (paid)	(244)	-
Net cash flows from operating activities	(25,425)	(523)
Acquisition of subsidiaries and sub-trusts	(311,163)	(30,148)
Additions to investment properties	-	-
Proceeds from sale of investment properties	232	-
Purchase of plant and equipment	(309)	-
Advance of loans to related parties	-	(308)
Repayment of loans by related parties	(393)	-
Net cash flows from (used in) investing activities	(311,633)	(30,456)
Proceeds from issuing equity	328,878	15,800
Payments for equity issue costs	(18,264)	-
Return of capital to equity holders	-	-
Distributions to equity holders	(1,341)	(390)
Acquisition of non-controlling interest	(1,942)	-
Proceeds from loans from related parties	-	152
Repayment of loans from related parties	333	-
Proceeds from borrowings	65,109	17,040
Repayment of borrowings	(26,830)	-
Proceeds from finance lease	29	-
Principal repayments of lease liabilities	-	-
Net cash flows from (used in) financing activities	345,972	32,601
Net increase (decrease) in cash held	8,914	1,622
Opening cash brought forward	1,622	-
Closing cash carried forward	10,536	1,622
Opening cash brought forward:		
Cash and cash equivalents	1,622	-
Bank overdraft	-	-
	1,622	-
Closing cash carried forward:		
Cash and cash equivalents	11,252	1,622
Bank overdraft	(717)	-
	10,536	1,622
Reconciliation:		
Net profit (loss) after tax	(30,773)	365
Non-cash items:		
Amortisation	-	-
Depreciation	4	318
Impairment	-	-
Net gain (loss) on change in fair value	(125)	-
Net gain (loss) on disposal of assets	18	-
Changes in working capital:		
Decrease (increase) in trade and other receivables	(5,326)	(1,231)
Decrease (increase) in inventories	(6,607)	(9)
Decrease (increase) in deferred tax assets	(3,948)	-
Decrease (increase) in prepaid borrowing costs	(2,106)	(214)
Decrease (increase) in other assets	(2,469)	(7)
Increase (decrease) in trade and other payables	21,472	232
Increase (decrease) in current tax payable	3,668	-
Increase (decrease) in provisions	766	23
	(25,425)	(523)

Notes to the Preliminary Financial Reports

1. Corporate Information

The Gateway Lifestyle Group (“the Consolidated Group”, or “GTY”) was established on 15 June 2015 for the purpose of a joint quotation of Gateway Lifestyle Operations Limited (“the Company” or “GTY”) and its controlled entities, and Residential Parks No 2 Trust (“the Trust”) and its controlled entities, on the Australian Securities Exchange (“ASX”).

Prior to the reorganisation of assets to facilitate the IPO, Gateway Lifestyle Residential Parks Pty Limited was the external manager to 25 Manufactured Home Estates (“MHE”), held in 11 syndicated trust structures. As part of the IPO, the reorganisation of the structure included:

- The acquisition of 41 legacy trust’s by the Trust, totaling 25 MHE Assets; and
- The acquisition of 30 companies associated with the Syndicated Trusts, by GLOL.

In addition, as part of the IPO, the Trust acquired an additional 11 MHE assets formerly referred to as the Tasman Group. On completion of the IPO, the Consolidated Group consisted of 36 MHE’s located in Queensland, NSW and Victoria.

Accounting acquirer and Goodwill

GTY comprises of a head trust stapled to a head operating company, each respectively holding individual land-owning trusts and operating companies. The head trust for GTY is Residential Parks No. 2 Trust (RPT 2), which holds the property investments (the “RPT 2 Group”).

The head company, and legal parent, for GTY is Gateway Lifestyle Operations Limited (or “GLOL”).

The accounting acquirer is identified as RPT 2. As a result of the IPO and the reorganisation of assets RPT 2 gained control over the GTY group of trusts and entities on 15 June 2015. For the year ended 30 June 2015, the GTY group of trusts and entities, over which control was gained contributed a loss of \$0.5m for the financial year.

The Preliminary Financial Report for the year ended 30 June 2015 reflects a continuation of RPT 2 and does not represent the Consolidated Group’s financial performance for the year ended 30 June 2015 on a pro-forma basis, but the aggregation of RPT 2 for the period 1 July 2014 to 14 June 2015 and the consolidated group from 15 June 2015 to 30 June 2015.

As a consequence of the business combination, goodwill is recognisable on the premium to the fair value of the separable assets and liabilities acquired by RPT 2.

Under the provisions of AASB 3 Business Combinations, the amounts recognised in the financial statements for the business combination have been determined on a provisional basis.

2. Basis of Preparation

The financial report has been prepared on a historical cost basis, except for investment properties, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

Significant Accounting policies

Consolidated and group accounting

The listed vehicle comprises a head trust and a head operating company, whose securities are stapled and traded as one security on the ASX. Applicable accounting standards require the one entity to be deemed the “acquirer” for accounting purposes and consolidate the net assets of the other, resulting in a consolidated group with a non-controlling interest of 100% in the entity being acquired.

As noted above, the financial information is an aggregation of the Trust for the period from 1 July 2014 to 14 June 2015, and the consolidated group from 15 June 2015 to 30 June 2015.

In preparing the Financial Information, all intra-group transactions and balances, including unrealised profits from intra-Group transactions, have been eliminated in full.

Business combinations and goodwill

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination is accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised.

In the initial reporting period following a business combination, the fair value of the assets and liabilities acquired may be measured on a provisional basis.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss, when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill is carried at cost less accumulated impairment losses.

Impairment of non-financial assets

Goodwill that has an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date, and whenever events or changes in circumstances occur, the Group assesses whether there is any indication□that any other asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows for other assets or groups of assets (cash generating units). Assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Revenue recognition

Manufactured home sales and rental agreement income are treated as two separately identifiable arrangements rather than a combined transaction.

Revenue from the sale of manufactured homes is recognised on final settlement when both construction is complete, legal title to the property has been transferred and the resident has right of access to the manufactured home and other risks and rewards related to ownership. Construction costs and other items of expenditure attributable to work in progress are classified as inventory until disposal. The customised manufactured homes are built by third party suppliers and installed on the chosen site, and the Group earns a margin on each sale, being the difference between the cost of the manufactured home and the sale price to the resident.

The relationship between MHE operator and resident is governed by a site agreement, which sets out the respective parties' rights and obligations. Residents are charged rent under the site agreement on a weekly basis that varies depending on the size and location of the manufactured home site. Revenue from rental income is recognised on a straight line basis over the applicable rental term.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes. Revenue is measured net of cash discounts, settlement discounts and rebates given to customers.

Inventory

Inventory (work-in-progress) includes property under construction or re-development for sale in the ordinary course of business, measured at the lower of cost and net realisable value (NRV).

Cost primarily includes amounts paid to contractors for construction, construction overheads and other related costs. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated based on a useful life that largely mirrors the capital allowances granted for taxation purposes:

- Motor vehicles (16.67% - 25% reducing balance) □
- Computer Equipment (50% reducing balance)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no □ future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. □

Borrowing costs □

Arrangement and establishment fees related to external financing are capitalised into the cost of the associated loan and amortised over the period to which they relate, i.e. to the next expected refinancing date. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. □ Interest payable is typically settled quarterly throughout the financial year. □

Income tax

Effective from 1 July 2015, under current income tax legislation the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders. For FY 15, the Trust is a public trading trust, and tax is payable at 30% on the Trusts assessable income for income tax purposes.

In relation to the Company, the Australian corporate tax rate is assessed at 30%.

The income tax payable on the relevant period's taxable income is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. The tax payable is further adjusted for the estimated impact of those trusts having paid distributions during FY 15.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception □ is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability □ is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax

losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

3. Changes in Accounting policy

Investment property

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is originally stated at cost, which includes purchase price and any directly attributable expenditure such as property transfer duty, professional fees and other transaction costs. AASB 140 Investment Property allows a choice between the cost and fair value models for subsequent recognition.

Prior to FY 15, investment property was measured under the cost model, involving the systematic depreciation of assets over a period of 5-40% reducing balance and recognition of impairment where appropriate.

In FY 15, the Group has elected that investment properties be measured under the fair value model, which reflects market conditions at the reporting date, and revalued on an annual basis. Gains or losses arising from changes in the fair values of investment properties will be recognised in the Income Statement in the period in which they arise. The change in accounting policy did not have a material impact on the prior period financial statements.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

Fair values for investment properties will be determined based on an annual evaluation supported on a rotational basis by an accredited, external independent valuer applying a capitalised income discounted cash flow (DCF) model or market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

4. Segment reporting

Segment information is presented in respect of GTY's operating segments for FY 15, which are the primary basis of segment reporting. The primary segments are based on the Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Core Operations

The group reports on the following core business segments:

1. Manufactured home operations – revenue generated through the collection of rental income from sites.
2. Manufactured home development – revenue generated through the sale of a manufactured home to a resident

The operating segments are determined based on the information which is regularly reviewed by the Managing Director and the Board of Directors (the Chief Operating Decision Makers ("CODM")) within the Group.

Gateway does not manage or review their balance sheet on a segment basis and only the segments' operating results are reported to the CODM. Such segment profit and loss results have been disclosed.

During comparative period, the Group's one reportable segment is the manufactured home operations with revenue generated through the collection of rental income from sites. The total of the reportable segments' revenue and profit is the same as that of Group as whole and as disclosed in the Consolidated Income Statement.

	Manufactured Home Operations	Manufactured home Development	Corporate	Consolidated
Rental Revenue	5,404			5,404
Operating expense	(4,895)			(4,895)
Manufactured Home Sales		455		455
Manufactured Home Expenses		(361)		(361)
Other revenue			98	98
Corporate costs			(2,028)	(2,028)
Transaction Costs			(26,893)	(26,893)
Operating EBITDA	509	95	(28,823)	(28,219)
Interest Expense	(2,711)			(2,711)
Income Tax		36		36
Depreciation			(4)	(4)
Fair value gains/(losses)			125	125
Net Profit/(loss) after Tax for the year	(2,202)	131	(28,702)	(30,773)

5. Income Tax

For FY 15, GTY is a public trading trust, and tax is payable at 30% on the Trust's assessable income for income tax purposes. The income tax expense reflects the tax expense with regard to GTY as a public trading trust, taking into consideration the estimated impact of those trusts having paid distributions during FY 15.

Income Tax		
	30 June 2015	Re-stated 30 June 2014
\$'000's		
Current income tax charge		
Current income tax charge	2,014	-
Prior period tax charge	-	-
Deferred Income Tax		
Relating to origination and reversal of temporary differences	(2,050)	-
Prior period tax charge	-	-
Income tax expense/(benefit) reported in income statement	<u>(36)</u>	<u>-</u>

For FY 16, the trust is not classified as a public trading trust, and is not liable to pay Australian income tax, provided all the net income of the trust is distributed to security holders.

6. Net Debt

On completion of the IPO, the Group established a total loan facility of \$180m with a syndicated financing arrangement between Australia and New Zealand Banking Group Limited ("ANZ") and Commonwealth Bank of Australia Limited ("CBA").

At reporting date, the facility is drawn to \$52.5m, with an expiry date of June 2020. The facility is secured by a mortgage over the MHE assets, with cross guarantees provided by entities within the GTY Group in favour of both the ANZ and CBA.

	30 June 2015	Re-stated 30 June 2014
\$000'S		
Current		
Borrowings - secured	-	-
Capitalised borrowing costs	-	-
	-	-
Non-Current		
Borrowings - secured	52,500	17,040
Capitalised borrowing costs	(2,320)	(214)
	50,180	16,826
Cash at the report date	(11,252)	(1,622)
Net Debt	38,927	15,204
Facility capacity		
Total facility	180,000	16,826
Total facility utilised at reporting date	(52,500)	(16,826)
Remaining debt capacity	127,500	-

7. Events after reporting date

As announced, GTY has entered into a contract to acquire the Cobb Haven park, located in Southern NSW. This transaction has not yet completed, as requirements for completion have not yet been satisfied.